

LOS ANGELES UNIFIED SCHOOL DISTRICT

Audit Report

LAW ENFORCEMENT AGENCY NOTIFICATION PROGRAM

Chapter 1117, Statutes of 1989

July 1, 2001, through June 30, 2004



JOHN CHIANG
California State Controller

April 2007



JOHN CHIANG
California State Controller

April 30, 2007

David L. Brewer III, Superintendent
Los Angeles Unified School District
333 South Brandry Avenue, 24th Floor
Los Angeles, CA 90017

Dear Mr. Brewer:

The State Controller's Office audited the costs claimed by the Los Angeles Unified School District for the legislatively mandated Law Enforcement Agency Notification Program (Chapter 1117, Statutes of 1989) for the period of July 1, 2001, through June 30, 2004.

The district claimed and was paid \$1,592,910 for the mandated program. Our audit disclosed that \$55,621 is allowable, and \$1,537,289 is unallowable because the district claimed ineligible activities. The State will offset \$1,537,289 from other mandated program payments due to the district. Alternatively, the district may remit this amount to the State.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

"Original signed by"

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/wm

cc: Darline P. Robles, Ph.D.

County Superintendent of Schools
Los Angeles County Office of Education

Betty Ng, Controller

Los Angeles Unified School District
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Director of Accounting
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Los Angeles Unified School District for the legislatively mandated Law Enforcement Agency Notification Program (Chapter 1117, Statutes of 1989) for the period of July 1, 2001, through June 30, 2004. The last day of fieldwork was July 29, 2005.

The district claimed and was paid \$1,592,910 for the mandated program. Our audit disclosed that \$55,621 is allowable, and \$1,537,289 unallowable primary because the district claimed ineligible activities. The State will offset \$1,537,289 from other mandated program payments due to the district. Alternatively, the district may remit this amount to the State.

Background

Chapter 1117, Statutes of 1989, added *Education Code* Section 48902(c). The law requires school authorities to notify the appropriate law enforcement agency of any pupil who possesses or sells narcotics or a controlled substance, or violates *Penal Code* Sections 626.9 and 626.10.

Penal Code Section 626.9 makes it a crime, with certain exceptions, for a person to possess or to discharge a firearm in a school zone. *Penal Code* Section 626.10 makes it a public offense, with certain exceptions, for a person to bring or possess any dirk, dagger, ice pick, knife, unguarded razor blade, taser, stun gun, BB gun, pellet gun, or spot marker gun upon school grounds.

On October 31, 1996, the Commission on State Mandates (COSM) determined that Chapter 1117, Statutes of 1989, imposed a state mandate reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on February 27, 1997. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist school districts in claiming reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Law Enforcement Agency Notification Program for the period of July 1, 2001, through June 30, 2004.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain

reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Los Angeles Unified School District claimed and was paid \$1,592,910 for costs of the Law Enforcement Agency Notification Program. Our audit disclosed that \$55,621 is allowable and \$1,537,289 unallowable. The State will offset \$1,537,289 from other mandated program payments due to the district. Alternatively, the district may remit this amount to the State.

Views of Responsible Official

We issued the initial draft audit report on May 3, 2006, and revised it on March 16, 2007. Charles A. Burbridge, Chief Financial Officer, responded by letter dated April 18, 2007 (Attachment), agreeing with the audit results. In response to the district's request, we updated the final report to state that the amount paid in excess of allowable costs will be offset from other mandated program payments. This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of the Los Angeles Unified School District, the Los Angeles County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

"Original signed by"

JEFFREY V. BROWNFIELD
Chief, Division of Audits

Schedule 1— Summary of Program Costs July 1, 2001, through June 30, 2004

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>	<u>Reference ¹</u>
<u>July 1, 2001, through June 30, 2002</u>				
Salaries and benefits	\$ 405,414	\$ 14,619	\$ (390,795)	Findings 1, 2
Indirect costs	17,190	620	(16,570)	Findings 1, 2
Total costs	<u>\$ 422,604</u>	15,239	<u>\$ (407,365)</u>	
Amount paid by the State		(422,604)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (407,365)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Salaries and benefits	\$ 509,560	\$ 18,038	\$ (491,522)	Findings 1, 2
Indirect costs	20,433	723	(19,710)	Findings 1, 2
Total costs	<u>\$ 529,993</u>	18,761	<u>\$ (511,232)</u>	
Amount paid by the State		(529,993)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (511,232)</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Salaries and benefits	\$ 615,804	\$ 20,793	\$ (595,011)	Findings 1, 2
Indirect costs	24,509	828	(23,681)	Findings 1, 2
Total costs	<u>\$ 640,313</u>	21,621	<u>\$ (618,692)</u>	
Amount paid by the State		(640,313)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (618,692)</u>		
<u>Summary: July 1, 2001, through June 30, 2004</u>				
Salaries and benefits	\$ 1,530,778	\$ 53,450	\$ (1,477,328)	Findings 1, 2
Indirect costs	62,132	2,171	(59,961)	Findings 1, 2
Total costs	<u>\$ 1,592,910</u>	55,621	<u>\$ (1,537,289)</u>	
Amount paid by the State		(1,592,910)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$(1,537,289)</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Overclaimed number of police reports

The district claimed 7,530 police reports, totaling \$503,384, that were not supported for the audit period. The related indirect costs totaled \$20,640.

We were unable to reconcile the total number of police reports claimed for the audit period. Consequently, we used the district's listings of police reports to identify the total number of police reports. The district was unable to explain the differences between the total number of police reports claimed and the number of police reports identified in the district's listings of police reports.

Parameters and Guidelines states that all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs.

The variances for these police reports are as follows.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Number of police reports per district's listings	1,908	2,201	2,109	6,218
Number of police reports claimed	(4,433)	(4,433)	(4,882)	(13,748)
Difference	(2,525)	(2,232)	(2,773)	(7,530)

The district reported 4,433 police reports in the fiscal year (FY) 2002-03 claim, but computed its costs using 4,768 reports.

The following table shows the unsupported salary and benefit costs, and related indirect costs by classification resulting from the unsupported number of police reports. These costs were computed using the following formula: Each job classification's average hourly rate claimed × the number of unsupported police reports × each job classification's average time worked claimed (as a percentage of an hour) per report.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Salaries and benefits	\$ (230,921)	\$ (17,235)	\$ (255,228)	\$ (503,384)
Indirect costs	(9,791)	(691)	(10,158)	(20,640)
Audit adjustment	\$ (240,712)	\$ (17,926)	\$ (265,386)	\$ (524,024)

Recommendation

We recommend that the district establish procedures to ensure that salary and benefit costs claimed based on the actual prepared and filed reports are traceable to such reports.

District's Response

The district agrees with the finding.

**FINDING 2—
Unallowable salary
and benefit costs, and
related indirect costs**

The district claimed \$973,944 in unallowable salary and benefit costs for the audit period. The related indirect costs totaled \$39,321.

The mandate reimburses school districts for the costs incurred by the principal or the principal's designee to report specified acts to appropriate city or county law enforcement authorities. Specified acts are any acts by a student that involve the possession or sale of narcotics or of a controlled substance, or acts that violate *Penal Code* Section 626.9 or 626.10 (e.g., possession of firearms or a knife). The mandate reimburses school districts for notifying law enforcement, not for investigating the incident or arresting and processing the student. For districts that notify law enforcement in writing, reimbursement would include the costs to prepare a basic notification document and to maintain it on file.

The district did not provide documentation that supported the costs to prepare and transmit notifications to the law enforcement agency, or the costs of maintaining reimbursable notifications on file. In addition, time claimed was often estimated.

Following is a summary of the audit adjustments by staff type and year.

School Site Staff

For FY 2001-02, the district claimed \$42,981 for salary and benefit costs based on an estimate of 15 minutes for the school site officer and school principal to prepare and file a report with a local police agency. The district stated that its consultant developed the estimated minutes per report based on interviews the consultant had with district employees. The district did not provide the auditors with any documentation validating such time increments.

For FY 2002-03, the district claimed \$477,547 for salary and benefit costs based on estimated hours and minutes for principals, assistant principals, deans of students, office managers, computer operators, office assistants, and clerks to prepare and file a report with a local police agency. The district supported the costs with a MAXIMUS 2003 form entitled "LAUSD employee: state mandate time form (TSS)." The hours and minutes claimed were based on a monthly estimate developed by each employee. The forms were either summarized monthly or were summarized annually for 31 employees. We identified various inconsistencies in the time records. The district provided only copies of time records; it did not provide original records. For four of the individuals, the monthly time records were prepared, signed, and approved, then copied 11 times with different months and hours. For three employees, the hours were summarized annually. Furthermore, the district used a 2003 form, but monthly hours were recorded for July 2002 through December 2002.

For FY 2003-04, the district claimed \$181,947 for salary and benefit costs based on percentages of time principals and assistant principals were involved in the preparation and filing of police reports. The level-of-effort percentages were applied to the principals' and assistant principals' total salary and benefit costs to determine the amounts claimed. The time was not traceable to reimbursable activities

performed. In addition, the district used an estimate by safety officers of 15 minutes per report that was developed by the district's consultant and was based on interviews the consultant held with district employees.

The district did not provide the auditors with a single notification report prepared or filed by school site staff in the audit period for any specified acts reimbursable under this mandate. Therefore, all costs claimed are unallowable.

District Staff

The district claimed \$324,927 for salary and benefit costs based on estimates of 1.5 hours in FY 2001-02 and 1.5 hours in FY 2003-04 for a district police officer to prepare and file a report with a local enforcement agency, and 12 minutes for a data analyst to maintain a copy of each report for the audit period. These estimated times per report were developed by a consultant and were based on interviews held with district employees.

The district provided only a copy of one police report in support of claimed costs. The police report contained the police report number, violation code, violation description, date, the time of arrival of a district police officer at the school campus, and the completion time for the process. The block of time defined by the arrival and completion times included activities such as interviews, evidence gathering, arrests, travel to the local police station, booking, and preparation and filing of the police report. These activities are not reimbursable. Therefore, the entire costs claimed are unallowable.

Parameters and Guidelines specifies that all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of claimed costs. *Parameters and Guidelines* states that:

. . . [s]chool districts shall be reimbursed for the costs incurred for the principal or the principal's designee to report to appropriate law enforcement authorities in the county or city in which the school is located: any acts of a student that involves the possession or sale of narcotics or of a controlled substance, or acts that violate Penal Code sections 626.9 or 626.10.

Parameters and Guidelines further states that preparing and filing a report and maintaining a record of reports filed are the reimbursable mandate components.

The district interpreted the previous paragraphs to mean all activities related to the generation as well as the filing of the report. However, the *Statement of Decision* and *Education Code* Section 48902(c) make clear the scope of the reimbursable report. Both of these sources refer to the fact that the principal (or his designee) shall notify the appropriate law enforcement agency. In this context, the activities that are reimbursable are those directly related to notifying law enforcement, not those related to investigating the incident or arresting and processing the student. For districts that notify law enforcement in writing, reimbursement would include the costs to prepare a basic notification document and to maintain it on file.

In June 2006, the district's consultant performed a limited time study to determine the costs related to preparing a basic notification document and to maintain it on file. The district did not prepare a basic notification document separate from the police report. Therefore, the time study determined the time it took a police officer to record basic information on a police report and the time it took a data analyst to file the police report. Based on information the district presented, an officer took eight minutes to record the basic information on the police report and an analyst took five minutes to file the report. The district's consultant prepared worksheets to identify the productive hourly rates of police officers and related fringe benefits rates. These worksheets had numerous errors related to the officers' productive hourly rates and fringe benefits rates. We applied the time increments for the 6,218 supported police reports identified in Finding 1 to the corrected productive hourly rates of a police officer and corrected fringe benefit rates.

The following table shows the audit adjustment related to salary and benefit costs, and related indirect costs.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Salaries and benefits	\$ (159,874)	\$ (474,287)	\$ (339,783)	\$ (973,944)
Indirect costs	(6,779)	(19,019)	(13,523)	(39,321)
Audit adjustment	<u>\$ (166,653)</u>	<u>\$ (493,306)</u>	<u>\$ (353,306)</u>	<u>\$ (1,013,265)</u>

Recommendation

We recommend that the district establish procedures to ensure that all salary and benefit costs claimed are supported and eligible. The district should ensure that it claims only the costs of notifying the law enforcement agency of the city or county for reimbursable acts and the related costs of filing of such notification.

District's Response

The district agrees with the finding.

**Attachment—
District's Response to
Draft Audit Report**

LOS ANGELES UNIFIED SCHOOL DISTRICT
Office of the Chief Financial Officer

DAVID L. BREWER III
Superintendent of Schools



CHARLES A. BURBRIDGE
Chief Financial Officer

April 18, 2007

Jim L. Spano, Chief
Compliance Audits Bureau
State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

Dear Mr. Spano:

This letter is in response to your revised draft of the audit report for the Law Enforcement Agency Notification Program dated March 2007. After discussions among various District Finance staff members and its consultant, the District agrees with the State's disallowances. However, the District respectfully requests that the disallowed amount be offset against future revenue payments for other mandated cost claims in accordance with the memo from the State Controller's Office dated March 8, 2007.

If you have any questions, please feel free to contact Betty Ng, Controller, at (213) 241-7889.

Sincerely,

Charles A. Burbridge
Chief Financial Officer

C: David L. Brewer III, Superintendent
Betty Ng
Maruch Atienza
Larry Manion
William Tant

**State Controller's Office
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